



Financial Crisis Report

Written and Edited by David M. Miyoshi

Advancing in a Time of Crisis

Words of Wisdom: “All you need in this life is ignorance and confidence, and then success is sure.” Mark Twain

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Except for the Great Depression, we are experiencing the most economically unstable period in the history of the modern world. This period will be marked with extreme fluctuations in the stock, commodity and currency markets accompanied by severe and sometimes violent social disruptions. As is typical of such times, many fortunes will be made and lost during this period. After talking with many business owners, executives, professionals and government officials from around the world, the writer believes that for the financially astute investor, this is a time of unprecedented opportunity given the global trade unbalances and distortions in the commodity and currency markets. The *Financial Crisis Report* is a free compilation of the opinions of David Miyoshi as well as of those advisors he himself subscribes to (with appropriate credits given) on how to benefit during this time of crisis. The writer receives no compensation of any kind from any advisors whose articles or ideas may appear in this report. The reader is welcomed to check on all sources of information mentioned herein. Because the opinions and observations of this writer and other advisors are provided herein without charge, the reader is asked to make his/her own judgment on the contents.

Sex is Getting Old



Literally, the old people are having their flings but the young just doesn't seem interested. With all that hanky panky that went on from the end of WWII to only recently, what has happened to the lovebirds. Does the food have too much GMO, has the climate become too warm for a roll in the hay, do microwaves from our smart phones satiate us.

Maybe one has to be famous to still have the urge. The news can attest to that.

Think Stormy Daniels and President Trump.

Or Missouri's governor, Eric Greitens, and his hairdresser.

Or NBC's Matt Lauer.

Or Harvey Weinstein.

Or all the victims and offenders brought to light through the #MeToo movement.

Without passing judgement or belittling any of it, it seems like there's so much sex going on that we can't get away from it.

Yet, the most... ahem... capable among us, our youth, seem to be struggling to get around to it.

That's a problem. Not just for those youth who haven't found a partner, but also for the countries they live in.

The social systems in advanced economies share the premise that the youth will support their old-age dependents, through national programs like Social Security and Medicare. For the system to work, it needs a replacement-level supply of children, and then adults, to support its aging citizens.



Sex is Getting Old

That replacement level comes out to a little more than two children per woman (2.1 to be precise).

However, it's recently come to light in the U.K. that 12.5% of its 26-year-olds are still virgins! The number climbs to 17% if you count non-respondents. This assumes that virgins would be too embarrassed to admit their lack of experience.

These numbers more than double (possibly triple) the 5% rate of virginity previous generations have held.

Sex just doesn't seem to be that big of an attraction for kids these days.

The issue isn't limited to the Brits...

Last year, researchers found that 31% of Japanese, age 18 to 34, were virgins!

The youth of both countries suffer from high levels of social-alienation anxiety. The U.K. youth cited fears of humiliation and the pressures of the social media. In Japan, some report the trauma of rejection and their retreat to the safety of internet pornography.

This tendency toward prolonged virginity will only hurt the long-running trend of falling births:

As you can see, the U.S., U.K., Germany and Japan's fertility has been below replacement levels for decades, long before the outbreak of virgins. Low fertility means less and less people to grow up, get a job, contribute to society, reproduce, and support retirees.

There are a lot of factors that contributed to this dive. There's birth control, the reduction of teen pregnancy, and the bringing of women into the workforce en mass. None of these developments were bad things. But they've undeniably depressed fertility and advanced economies haven't found a clear way to bring it back.

Sprinkle in the social alienation and fear of rejection now holding young people back and things look bleak.

Still, countries with falling births are looking for creative ways to get people together. Russia offers cash payments for couples with a second child. The 2015 "screw for Denmark" ad campaign launched by the Danes led to a 14% increase in births in 2016.

Money is a good motivator and increasing the status level of childbearing women can move the needle.

Another line of thought policymakers hold is to supplement the aging population with younger immigrants.

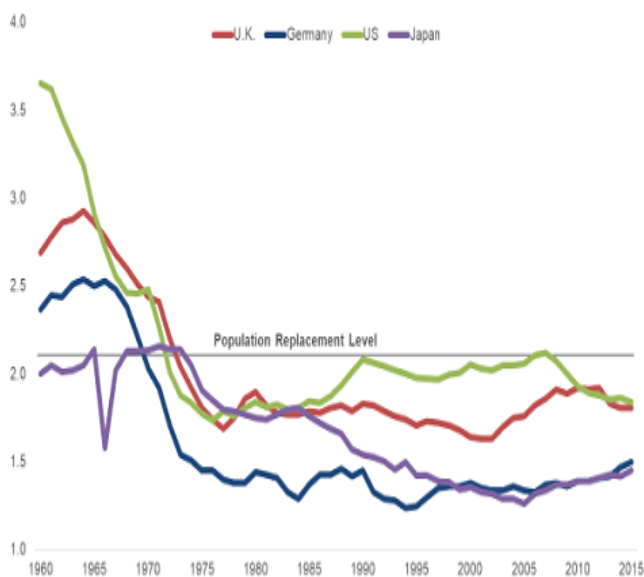
When German Chancellor Merkel opened her country to over one million Middle Eastern refugees, part of the rationale was economic. The refugees would get jobs, become productive members of society, and support German pensioners.

Japan, on the other hand, doesn't view immigration the same way. The nation has remained highly restrictive on who it lets in, despite facing an old-age crisis of its own. The graying nation looks to be banking on an automation revolution to make up the slack of missing workers.

Only time will tell which approach is best. In the meantime, nations will push the buttons and pull the levers of public policy to help increase births. Trouble is, these policies just haven't done enough. But that might be OK...

Fertility Rates in Select Advanced Economies

Children per Women



Source: World Bank

www.dentresearch.com





Romantic Robots

Viewing fertility rates as a downward linear trend ignores the cyclical nature of the beast. So much of the data we observe tends to ebb and flow. We've been in the ebb phase for a while, and so I expect an increase is on the way. Otherwise, birth rates will trend to zero and humanity will disappear. But maybe the Aztecs and Incas were also counting on the same rebound.

We hope this unsustainable trend will self-correct over time. If modern civilization is hostile to reproduction, then it's going to have to change. The fertile will survive and remake society in their image. But before that happens, advanced economies will have to find a way to get through this painful period and support their aging populations.

Viva Viagra.

This is a lead in to the following article "Romantic Robots."

D. Miyoshi

Romantic Robots



What a difference a century makes. In 1918 the world was battling the Spanish Flu that killed 25 million, WWI ended, both Hitler and America started their rise to prominence, the average house cost \$6,715, the average car \$360, the telephone allowed us to communicate our

innermost secrets over thousands of miles, the main social issue was women were not considered "persons" with the same rights of men (one of the rights being for sex), the world's leading power was England, politics were dull and companies such as Ford were regularly making cars.

In 2018, the world is battling not disease but drugs that are killing millions, there are no wars ending but instead various foreign, domestic and political conflicts that are beginning, we all know what the average house and car now cost, the number of social issues have increased to include race, equality, gender (is a person considered a woman, a man or other and how many rights does he/she/it have?), the world's leading power is America and politics are not dull. Companies such as SpaceX are making regular space encounters possible while companies such as 3D Hologroup are making regular sex encounters possible. Let's explain this one in more detail.

3D Hologroup has created an app that allows you to download virtual girlfriends. And you can interact with these girls if you own an augmented reality device. (I can hear many of my colleagues, as well as me, saying we were born 50 years too early).

Investment analyst and guru Doug Casey of *Casey Research* describes his experience visiting 3D Hologroup.

Casey visited the company's website and discovered that he could choose which model of girl he'd like, just like you would a pair of shoes.

It reminded him of the hologram girlfriend that Ryan Gosling's character had in *Blade Runner 2049*, which came out last year.

So, what does this mean?

Well, it's a vision of things to come. I don't think most people know that this is happening. But it's an inevitable implication of Moore's Law, the observation made in 1965 by Gordon Moore that computer power would double about every two years. But it's not just computers; technology is advancing at that rate in a number of areas. Augmented reality is just one example. Artificial intelligence, robotics, genetic engineering, and nanotech are also advancing extremely rapidly.

It seems that we're likely to see the "Singularity" within the next generation, just as Ray Kurzweil predicted. Among many other strange things, we'll have humanoids and androids that will be increasingly hard to distinguish from actual people.

You'll also be able to have your own Mr. (or Miss) Data, the an-





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droid from Star Trek: The Next Generation. Albeit a relatively low-functioning version. This will have immense societal implications on how society will function, and how people relate to each other.

Of course, that's 20 or 25 years from now, and there will be many steps along the way. But one thing you won't have to wait long for is artificial reality suits. You'll be able to step into one and experience an alternate reality: sight, smell, touch, hearing, and, I suppose, even taste. It will be vastly more involving than watching a movie...

Well, that's a start. But then what?

Beyond that, it won't just be your body feeling sensations while you're in an AR suit; it will all go directly into your brain. In effect, that cuts out the middleman. Don't forget that sex and love happen mainly in your brain, not your body. At that point, you'll be able to live in something that resembles an ultra-realistic videogame. You'll be able to do, have, and be exactly what you want, or imagine. Like living in a dream. It's been true for some time that any sufficiently advanced technology is indistinguishable from magic—but this will take things to a whole new level.

The virtual world will be hard to distinguish from reality, but more pleasant than reality. Many people won't want to get out of their artificial reality suits. That's going to have huge implications for all kinds of things—not the least of which will be dating, family life and even voting.

These technologies are poised to change the entire nature of life. It's been a long time coming, but science is catching up to fiction. And even pornography.

In the 1980s, one of the members of the Eris Society made a presentation on how technology was making it possible to get a vast array of new body parts—knees, hips, hearts, lungs—what have you. And that prediction has come to fruition. We're now entering an era of artificial organs—not just transplants.

But you'll eventually be able to replace your body piece by piece, then cell by cell. You'll be able to transform yourself into a veritable cyborg. But you won't even notice it. Everything will be the same, just much better functioning. On top of that, you may eventually be able to download your brain onto an advanced biocomputer. At that point, it's a question of whether you're even a human anymore.

I recognize that some people will think this is completely impossible and even ridiculous. But, as I've mentioned before, Moore's Law has actually been with us for about 200,000 years, and the curve of improvement is now noticeably exponential in the course of a lifetime.

The implications are very philosophically challenging. They're immense in every way. What's happening will go way beyond dating. It has implications for whether humans will want to reproduce.

How these technologies impact relationships, dating, and marriage

Almost everyone in developed countries is tending to get married later and later in life, or not get married at all. People aren't reproducing like they used to.

There's a reason for this. Children have historically acted as an insurance program; they supported their parents when they became too old to work. But thanks to modern technology and investment markets, this is no longer necessary. Children are now increasingly viewed as a huge cost, a lifestyle impediment, and a liability in the developed world. As a result, the population is falling everywhere, except Sub-Saharan Africa. By the turn of the century about 45% of the Earth's population will be from there. Notwithstanding what the recent movie Black Panther seemed to imply, I doubt Africans are going to be in a position to afford large numbers of androids.

But aside from the long-term demographic implication, as the technology advances, it could be many people will get tired of having a real, normal mate. Even now, most marriages end in divorce. Maybe we'll find that a difference that makes no difference is no difference. Maybe if you think you can have an artificial dream mate you won't want to bother with a real one.

The Start of Virtual Mates

Nicos Hadjicostis wrote an article entitled "*Japan the Magnificent.*" In it he described Japan as the only country now living in the twenty-second century. "If one wants to see a positive version of the future of humanity, a glimpse of the planet after all of us will have passed away, Japan is the place to visit. Japan came as one of the biggest surprises of my 6.5-year-around-the-world journey. No other country turned out to be so different from my original expectations and in such contrast from what my studies before my visit had suggested."

So, one can say Japan is one of the leading technological countries in the world. But why would Japan be the first place to embrace using virtual mates?

It's because Japan's population has been in actual decline for years now. This trend should continue and accelerate. Something like 50% to 60% of young Japanese—people between 15 and 35 years of age—don't even want to have a boyfriend or a girlfriend. They see it as more trouble than it's worth (hmmm, sounds like my wife).

Japan is also, perhaps not just coincidentally, highly advanced when it comes to robotics development. There are several Japanese companies making sophisticated love dolls, not just cheap blowup





Romantic Robots

things. They're very lifelike dolls, costing thousands of dollars. Japan is going to be the country to watch from that point of view.

Social taboos to overcome

There is no question that the use of virtual mates would challenge existing social taboos.

But those taboos are now diminishing. The concept, and reality, of the "soy boy" is also spreading around the world. The idea is that if you eat a lot of soy it increases the estrogens in your body. Men tend to become more feminine (as can be witnessed in Bangkok)

Apparently, this is now becoming prevalent in Japan. It's also happening in China. A lot of Chinese males are becoming what they call "herbivores," or "grass eaters."

A Western world issue as well

It used to be said what happens in California later happens in the rest of the world. Now, what happens wherever in the world, will happen in the U.S as well. So, the movement against masculinity that appears to have begun in Asia is now in the United States.

There is a rather sexist and racist meme about "toxic masculinity." This is the idea that males are dangerous and undesirable, especially white males. A hundred years ago when this idea applied to black males, did they also call it "toxic masculinity?"

This meme is now rapidly spreading. You can see it in many areas. For example, most graduates from medical and law school these days are women, not men. Women are also running major nation states and major corporations.

There is no problem with that philosophically—people should be viewed as individuals, not primarily as members of a sex, race, religion, or whatever. But, that said, women are becoming more masculinized, and men are becoming more feminine.

The trend is likely to accelerate because it's widely promoted as a "good thing". We can discuss the moral implications of feminine men and masculine women, who apparently now come in something like 54 different genders (I'm still working on the definition for #3).

Personally, I agree with Doug Casey that it's out of control, and destructive. But it's being abetted by technology, advancing at the rate of Moore's Law. The trend will likely continue, simply because trends in motion tend to accelerate until they reach a climax (no pun intended), catharsis, or crisis. We're heading for a big one, in lots of ways.

So, indications are that this trend against masculinity will encourage more males to opt for virtual girlfriends instead of the real thing. The world is morphing into something almost unrecognizable from the past.

If you're attracted to somebody these days, you basically need them to sign a paper before you dare kiss, or even touch them (drafting these documents could be a new field for young lawyers). This is policy in many universities and corporations. A lot of normal, healthy males—in the US and Europe, not just Japan—view dating as more trouble than it's worth. The risks outweigh the rewards. The #MeToo movement and its clones are having a subtle effect on the average guy. And women are becoming afraid men are just Harvey Weinstein in waiting.

I think it is safe to say this is happening because political correctness has permeated society. It's reached the point where it's destroying Western Civilization. It's turning men into little soy boys, and women into harridans.

One consequence is that people from the Mohammedan world and the third world increasingly see Americans and Europeans as weak and contemptible, even pitiable.

It's almost a Nietzschean situation in which that which is about to fall deserves to be pushed.

So, it seems like technology, which has been our friend throughout history, is turning against us in unexpected ways.

Well, ultimately this is a financial newsletter, so it should end with a financial/economic message. That message is, even though we will all experience a huge economic downturn soon, companies that are involved in AR (Augmented Reality) and AI (Artificial Intelligence) will be comparatively some of the fastest growing and commanding companies in the world. We shall keep an eye on them.

Here is to your successful investing in these technologies.

D. Miyoshi



Does Putin Control Trump?

Does Putin Control Trump?



On July 16 in Helsinki, Trump and Putin had a 2-hour private meeting alone only with their interpreters. Following the meeting Trump and Putin both gave rather cryptic reports on what they discussed. Trump seemed deferential to Putin stating he believed Putin over his own U.S. intelligence agencies. This statement and others caused a furor among the news agencies with claims ranging from Trump was controlled by Putin to Trump was guilty of treason.

What is the truth?

Geopolitical expert George Friedman of *Stratfor* informs us that in the case of high-level summits meetings such as the one held in Helsinki, the agendas are typically set weeks in advance. A series of agreements – mostly symbolic – are negotiated ahead of time, with documents ready to be signed. Private meetings usually involve several aides to help the leaders and to ensure that they stick to the script.

Now in the case of President Trump, it's no secret that he approaches summits differently from his predecessors. Rather than months of preparation at lower levels, he enters meetings prepared to improvise. This is part of his now classic "Art of the Deal" strategy. Trump has been deeply criticized for this approach, particularly by those officials who would normally be called upon to prepare for meetings, but it isn't clear that the old method worked. It tended to minimize gaffes, but it also homogenized the meetings, tying the hands of the president – who was elected, after all, whereas the minions were appointed. Trump's desire to be free to interact and deal is not inherently a bad idea, as it would turn summits into authentic meetings, but the complexities of domestic and foreign politics require more discipline.

Now, only a handful of people know exactly what was said during the private meeting in Helsinki, but the world bore witness to the post-summit Q&A with the media. The American president was not restrained by his advisers, nor was he bound by his prepared remarks. He was, however, constrained by domestic politics. World leaders are politicians, and politicians have publics – whether in democracies or dictatorships – that they must answer to.

The weaker the political positions of leaders are – or the weaker they perceive their positions to be – the more they will speak to their public. Their statements will shift away from the matter at hand to try to buttress their political position at home. They can do this in several ways, including by using the occasion as a platform to attack domestic opponents. This is what happened at the Trump-Putin meeting. Putin is politically strong, and for him, simply appearing confident was enough. But Trump is embattled, and he chose to focus on domestic issues. A major one is the investigation into Russian interference in the 2016 U.S. election. Since the summit was with Putin, and Trump's focus was on domestic politics involving Russia, the confluence led him into difficult places.

Trump's most interesting comment came as a tweet before the press conference, though he reaffirmed the comment's sentiments during the conference. He said that U.S.-Russian relations had reached their lowest point ever and that it was the United States' fault. The first part is suspect given events like the Cuban Missile Crisis, but the startling part was the assertion that the U.S. was to blame. What Friedman thinks Trump was trying to do was to attack the Obama administration for trying to isolate Russia rather than engage it. There is an argument to be made for that position, but it wasn't clearly expressed in the tweet.

The decision by Robert Mueller, the special counsel leading the investigation into Russian meddling, to indict 12 Russians the Friday afternoon before the summit clearly threw Trump off balance. It isn't clear that Mueller had to do this when he did, given that there was no chance whatsoever that the Kremlin would extradite them. Putin hinted that if Mueller wanted to question them, the Russian government would then want to question Americans accused of committing crimes in Russia, citing one case in particular. Since U.S. foreign intelligence must break laws daily in Russia to do its job, an agreement on this would open a can of worms no one wants.

One explanation for the timing of the indictments is that Mueller was oblivious or indifferent to the fact that there was a summit meeting the following week. Another explanation is that in performing his job as special counsel, Mueller saw an opportunity to fluster Trump and he used it, prioritizing his role in the investigation over U.S. foreign policy. In any event, the indictments dominated the press conference, with American reporters hammering on whether Trump endorsed them. Trump could have answered that they were only indictments and not convictions and that he would let the judicial system decide this, but instead, he essentially took Putin's line, dismissing U.S. intelligence findings. (Trump walked back those

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remarks a few days after).

This brings us to the subtext of the investigation, which is the suspicion that Trump is in some way under the control of Russian intelligence. But according to Friedman, the press should put those concerns to rest. If he were, the Russians never would have permitted Trump to reject U.S. intelligence findings or side with Putin. Indeed, it would have been unwise to hold a private meeting between the presidents in the first place. The Russians would be doing everything in their power to enhance Trump's political standing in the United States and to make him appear anti-Russian. They would never allow anyone to imagine he was working for them. They would use him in different ways. Trump would have attacked Putin directly at the press conference.

The pressures on Trump are mounting, whether he is concerned about something he did or simply under the normal pressure that comes with being under constant investigation. His desire to challenge what he sees as tormentors on all fronts has become powerful, and it broke out around the meeting in Helsinki. Putin undoubtedly was pleased, and the world media declared it a major setback for the United States.

But Friedman thinks at most it hurt the career of a single politician, and more likely it didn't do even that. The American public is fully aware of Trump's personality quirks and public statements. His approval rating has ticked up in recent months, reaching as high as 47 percent according to Rasmussen for the month of June. This is one of the higher results, but it's pretty strong for a president at this point in his presidency. There are voters who will despise him regardless of what he does, and others who will admire him regardless of what he does. Trump's popularity won't surge or plummet simply because he behaved like himself.

As to an American standing on the world stage, geopolitically that too is consistent. Most dislike the United States, but none can dismiss it. In Friedman's travels, he has found many countries that held President Barack Obama in withering contempt. President George W. Bush was regarded as incompetent. Dislike of the president for being unsophisticated, or the U.S. for being naive or ruthless (sometimes both, somehow), is not new, although there is no question that Trump has created vast new opportunities for critics.

But the United States is the world's largest economy, the engine of global technological innovation and the only global military force in the world. It is also the largest importer, and Germany's largest customer, for example. German Chancellor Angela Merkel may be offended by Trump, but in the end, her country needs the American market. The objective realities of U.S. power trump (no pun intended) the behavior of the president. Similarly, summits must be put into context. They are meetings between people, some of whom have enough political support to do what they say they will, others who do not. But both will pass the scene long before the deep power

of either country passes away. The balance of power shifts, but, except in time of war, ever so slowly. A sense of proportion is needed, but that has never been abundant in the world.

In the final analysis, under Trump we have a lot more interesting developments still to look forward to.

D. Miyoshi

How to pick Penny Stocks -Samurai v Sniper



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As a Marine I love military metaphors. Here is one coined by Timothy Sykes, Editor of *Penny Stock Millionaires* that he applied to advise to his penny stock investors.

It's about two forms of warrior, with one crucial difference.

The Samurai



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For hundreds of years, the samurai were the best warriors in the

How to pick Penny Stocks -Samurai v Sniper

world.

They trained extensively, and their skill was virtually unmatched by any other fighters of their era.

So where did they go?

Well, the problem was that the samurai were very traditional.

They believed in working hard every day, but they also refused to adapt to modern warfare.

They didn't like guns – they wanted to live and die by the sword instead.

But guess what happens when you bring a sword to a gunfight?

Basically, the samurai didn't survive because they couldn't evolve.

The Sniper



Now, let's look at modern day snipers.

They're just as dedicated as the samurai once were, but they're much more flexible in how they operate.

True snipers practice for years and years before they're hired out for combat operations.

They know their guns inside and out, and they know exactly what it takes to nail crazy shots from long distances.

And they never fire at random.

They wait for their shots, and they only take them when all the variables involved line up perfectly.

The lesson is, when investing in penny stocks one should be more like the sniper than the samurai.

Here's how to do it:

Lesson #1 – You have to be able to adapt

One of the biggest problems with “conventional wisdom” that says you should buy low and sell high is that you only have one chance to make money using that approach.

You have to buy when a stock is below value and sell it when you think it's hit its peak.

So what happens if you can't find any below value stocks?

What happens if the market shifts from bull to bear and – all of a sudden – nothing's going up?

How are you supposed to make money “buying low and selling high” if nothing's going high?

If you follow that advice, you're like the samurai.

You've got all your eggs in one basket, except that in this case, that basket is a limited trading strategy instead of a sword.

But you can make money two different ways...

Both when stocks go up and when they go down.

We buy when stocks hit new earnings highs, when major contracts are signed, when billionaires are buying in and when we see “pump and dumps” happening.

We also know how to sell short, which lets us make money when these same stocks start to reverse in price.

No matter what kind of price action we see, we know how to make money.

That's how you act the sniper.

A good sniper is just as deadly shooting from the top of a building as he is in the jungle.

The environment doesn't matter; their skills work in any situation.

Lesson #2 – You have to be focused

Imagine that you're a sniper.

Your target is 1,000 yards away – no more than a speck on the scope of your rifle.

What do you think is going through your mind as you get ready to pull the trigger?

Your breath. Your heart rate. Your five senses.

You're focused on bringing everything into alignment to make that one, seemingly impossible shot.

Penny stock traders have to work the same way.

Every day, there are hundreds or thousands of opportunities to trade, but few of them – if any – are actually worthwhile.

Most of them are just noise that you have to learn to tune out to capitalize on the real opportunities that exist.

That kind of focus takes willpower.

So much of trading is a mental game. When you want to trade – when you're anxious for it – you lose that focus. You go after setups that aren't really all that great, just because you want that thrill of trading.

But when you trade like a sniper, you learn to hone in on the things that really matter.

You learn to focus on the price action and operate based on what it's telling you – not on what you think might happen, or what Bloomberg tells you should happen.

IS WORLD WAR III NOW INEVITABLE?

That sounds easy, but it's not.

Just like good snipers aren't good right away, good traders need time to practice. They need time to learn how to focus.

It takes time, but all that time is an investment in your financial future.

Learning it unlocks the secrets you need to succeed.

Here is to your profitable investing,

D. Miyoshi

IS WORLD WAR III NOW INEVITABLE?



Mick Jagger sang, a U.S.-China war is “just a shot away.”

Several escalating forces in the world are now coming together that will forever change the balance of power and possibly provoke the central players to the point of no return. World War III would then come to pass.

In a recent article by Dr. Mark Skousen, one of the worlds most respected economists, he points out the reasons why we are now facing Armageddon and how that will massively threaten both our health and our wealth.

Like two proud and determined gamblers, President Trump and President Xi are doubling down their economic moves against each other. This is not surprising given Trump's excessively strong ego and the very hawkish bent of his security council.

There is no question that a trade war with China is possibly the worst thing to be doing at this time. Unfortunately, what began with the U.S. imposing tariffs on steel imports led to China retaliating with tariffs on \$3 billion in American products, including fruits, nuts, wine, steel pipes, recycled aluminum, and pork.

Which further led to the U.S. smacking the People's Republic with tariffs on an additional \$50 billion in Chinese goods, including aerospace, medical, and machinery.

Which then led to China warning it would impose sanctions on \$50 billion more of American goods...

Which subsequently led to Trump promising to impose tariffs on another \$100 billion of Chinese goods.

Of course, now China has warned it would retaliate against any additional tariffs, saying it has “already formulated very detailed countermeasures.”

This most recent back-and-forth is only the latest skirmish between these two global powerhouses.

For years now, China's been waging economic war against the United States.

Its most potent weapon in this war has been the pirating of U.S. technology. From movies and TV shows to fashion and industrial, China has been ripping off the U.S. (not to mention ripping off Japan and South Korea as well).

Today, though, China's number one target is Intellectual Property (IP)... the most important asset any company can own.

Patents... trade secrets... technological advantages... everything that gives a company a competitive edge... are all Intellectual Property.

The reason is simple.

\$600 Billion taken yearly in what amounts to History's Greatest Transfer of Wealth

It's called “Made in China 2025.”

That's the official name of the latest program of the People's Republic of China...





IS WORLD WAR III NOW INEVITABLE?

Its primary objective: completely dominate the hi-tech industries of the future, including artificial intelligence, robotics, self-driving cars and advanced microchips.

For years now, China has been riding on the back of American know-how...

Essentially stealing for themselves the Intellectual Property rights of American companies.

China, and Chinese companies, have been hijacking trade secrets from virtually every sector of our economy: Automobiles, aviation, chemicals, consumer electronics, electronic trading, industrial software, biotech and pharmaceuticals...

You name it, China's likely stolen it from us — if not through piracy or corporate espionage, then through something much more effective, far worse, and completely legal.

It's known as China's "Secure and Controllable" law.

For decades, China has been forcing American companies to turn over their Intellectual Property as a "cost" of doing business in the People's Republic.

In the name of "protecting" software, technology, and data, China forces companies operating in their country to disclose their most important intellectual properties... from patents to technology...

And to "store" all company data — every single byte — locally on Chinese servers and data farms... where it's all easily available for hacking. Recently we learned that Apple, the first one trillion dollar company in history, has turned over control of its cloud to China in return for allowing its factories to operate there.

Essentially, American firms are being stripped of their competitive advantage in return for the right to do business in China.

As thorough as "Secure and Controllable" is, the Chinese are still hard at work on a new strategy for tapping into America's Intellectual Property.

China's Early Investment in U.S. Hi-Tech Companies

Skousen reported: "In Washington D.C. there is a highly secretive panel called the Committee on Foreign Investment in the United States (CFIUS). Its purpose is to screen investments in America's economy to protect our national security interests. China has figured out a way around this protective process."

Skousen's research reveals that China is circumventing the Committee by investing heavily in early-stage technology companies. These companies are currently not being watched by the Committee...

And China is leveraging their investments to secure access to technological breakthroughs before they happen. Using state funds, the Chinese government has invested \$46 billion in 2016 (the last year full records are available). That's three times more than the year before to make acquisitions, buy up new operations, and expand their holdings in American start-up technologies.

When China invests in an early-stage, or start-up, tech company, they're not buying a controlling interest... and they're not looking to cash in on future profits. They're buying guaranteed access to future, advanced technologies. And a lot of these technologies could prove critical to the U.S. military in the future.

This is why the U.S. is now imposing trade sanctions against China. This makes sense but the question is where will this end?

According to Skousen: "The last time we plunged headlong into a trade war was in 1930... it deepened the Great Depression, and possibly extended it." While Skousen doesn't believe this trade war will lead to another Depression, it will end up squeezing individual investors like you and me. We'll find it harder than ever to make ends meet... let alone save for the future.

Skousen termed the U.S. counter program the 'CRINT' Protocol (sounds like a Tom Clancy novel). It's mostly classified, but according to Skousen the CRINT Protocol is part of the Pentagon's newest National Defense Strategy (NDS). We should understand The Pentagon does not release a new NDS very often.

In fact, the last time they issued an NDS was over 10 years ago when the Pentagon declared international terrorism as the number one threat to the U.S. And our economy pivoted to support this new directive.

According to research out of Brown University, the total cost of the War on Terror since then comes in at more than \$4 trillion. And the companies supplying the material and weapons for the War on Terror saw profits — and share prices — soar.

Since the attacks of September 11, 2001: Northrop Grumman is up 845%... Raytheon is up 703%... Lockheed Martin is up 665%... and General Dynamics is up 469%...

These numbers give you a good idea of the economic impact that a new National Defense Strategy from the Pentagon can have on American companies.





IS WORLD WAR III NOW INEVITABLE?

But the Pentagon’s newest NDS no longer considers terrorism the primary threat against the U.S.

Like everything in the Pentagon, its “CRINT Protocol” is an acronym that represents the biggest threats to us today.

In order of the biggest-to-smallest threats, CRINT stands for:

- C = China
- R = Russia
- I = Iran
- N = North Korea
- T = Terrorism

These are the major threats to America today.

And just as the War on Terror drove 10 years of strategy and conflict around the globe...

Creating fortunes for defense contractors like Raytheon and General Dynamics...

This new NDS has positioned the United States, and our forces, in direct opposition – and potentially active conflict – with the most powerful countries in the world today.

But the Pentagon is preparing to make this into much more than a trade war. This will be a multi-front conflict for global dominance.

It will stretch from the South China Sea... to Europe and the North Atlantic... into the Middle East.

Right now this sounds extreme.

But Skousen has been right on every major economic prediction since the 1980’s. And Skousen now believes a trade war with China could lead to World War III.

So How Did We Get Here?

Well let’s look at the actions of the two countries that are driving us toward this inevitable global conflict... China and Russia – the biggest threats to America right now.

China has become a powder keg – an aggressor nation of the first order – unafraid to use every means necessary to replace us as the world’s strongest superpower.

Russia, like China, is hell-bent on becoming the world’s #1 superpower. But, for them, that goal is a return to former glory.

To get there, Russia has been gobbling up break-away, ex-Soviet

states... increasing its military presence in Europe, and unleashing an army of hackers into cyberspace.

Any of these actions by themselves could be interpreted as a prelude to war.

Expanding Influence by Force

Right now, China and Russia are aggressively growing their countries – in both size and influence.

But they’re doing so in decidedly different ways.

Many people know that for the past three years, China has been expanding its borders in the South China Sea by building its own network of islands.

It’s been hauling millions of tons of sand, and piling it up on the reefs on the edge of the South China Sea. Here’s a few satellite images that reflect China’s efforts.

The first (below) shows how big a swath of sea we’re talking about.



Once an island is complete, the construction begins – port facilities, military buildings, even air strips, are all being built...



Creating a ring of popup military bases (like you see above) in an





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area of the sea that's been a point of contention between Beijing, Washington and the international community for years.

These new islands allow China to permanently extend their claim over the sea... and to harvest parts of the sea – like oil and seafood – that had once been out of reach.

The United States intelligence has reported Chinese mobile artillery vehicles in the region... and there's reason to believe these new islands could give China more control over precious fishing rights in the region.

Using its growing chain of man-made islands, China's laid claim to almost 90% of the South China Sea, declaring it "sovereign territory." By doing so, they've extended their empire by some 2000km.

Even though an international court rejected China's claims to the sea, they've continued to act as if it's their own. And they're ignoring the claims of other sovereign nations that also share the sea like Vietnam, Philippines, Malaysia and Brunei.

This is what's escalating tension in the South China Sea.

While Russia isn't physically creating new land like China, it's just as committed to growing its own empire.

For the last few years, Russia has been retaking former Soviet states that broke away, and slowly moving on countries that it deems strategic...

First was the invasion of Georgia... then Crimea and parts of the Ukraine...

In each of these skirmishes, Russia used pretty much the same tactic as a buildup to attack. It scheduled "military exercises" along those countries' borders, enabling Putin to send wave after wave of military into the region.

It shouldn't come as a surprise that those "war games" suddenly got real, and those former renegade nations were overrun.

All that makes Russia's recent buildup of forces in Europe – in the name of military exercises – a lot scarier.

Especially when those "exercises" represent the largest efforts since the fall of the Berlin Wall, and include more than 100,000 troops and 4,000 train loads of equipment...

All sent to the western borders of Poland, Lithuania and Latvia.

NATO allies are worried this "exercise" could be the first move in a Russian invasion. They're not alone...

According to Retired U.S. Army General Jack Keane, the former vice chief of staff of the Army, the true purpose of Russia's war games is pretty obvious:

"They're practicing a war against the U.S. and NATO — that's what they're doing.

This is exactly the same tactic Putin used in advance of taking over the Crimea from Ukraine."

Since the end of the Cold War, the U.S. has been the undisputed heavyweight global superpower...

With the most advanced weaponry and the finest trained military in the world.

But that's changing fast.

China is pushing to expand its military influence on the world stage in ways that could have a huge impact on the balance of power in the world...

Recently, it held "live-fire" wargames in the South China Sea... steaming an armada of 40 vessels, including its premier aircraft carrier...

At exactly the same time as the U.S. Navy was holding its own maneuvers in the region. At one point, steaming almost directly at our vessels. They did this precisely as the trade rhetoric was heating up, as a way to flex their muscles and show us they're a force to be reckoned with.

Russia, on the other hand, is more concerned with gaining military superiority in another way.

It's the reason it created the new Satan II missiles.

The latest in Russian nuclear warfare, each missile boasts 200 tons of nuclear weaponry and is capable of entering our airspace undetected by current defense systems. Said another way: It cannot be intercepted. Worse, as the Satan II nears its target, the warhead then splits apart, delivering nine smaller warheads, capable of carpet bombing an entire region of the U.S.

Clearly, both China and Russia are moving full speed ahead with their preparations for war on land and sea.





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But it's in their efforts to win the "air war" that really have people scared.

Here, the phrase "air war" does not mean owning the skies militarily. We are talking about dominating cyberspace.

Dominating the Last Battlefield

Skousen reports that China and Russia have resorted to playing dirty pool to win on the "virtual" front.

Specifically, he refers to hacker armies from each country robbing the U.S. blind. These cyber-soldiers are winning the war without even firing a shot.

According to a special report from the *Defense Science Board* – a special task force created by the Department of Defense – the Chinese have already stolen details on more than two dozen major weapons systems.

These include critical U.S. missile defenses, combat aircraft and ships, like:

- The PAC-3, the advanced Patriot missile system
- The Army's Terminal High Altitude Area Defense, or THAAD – a sophisticated anti-ballistic missiles system
- The Navy's Aegis ballistic-missile defense system
- The F/A-18... F-22... and the F-35 fighter jets
- The V-22 Osprey
- The Black Hawk helicopter
- The Navy's new Littoral Combat Ship
- AIM-120 Advanced Medium-Range Air-to-Air Missile

The Global Hawk high altitude surveillance drone

As the *Washington Post* reported, these stolen military secrets form "the backbone of the Pentagon's regional missile defense for Asia, Europe and the Persian Gulf."

China has been working overtime to update and improve their weapons systems. The fastest route to making that happen is by stealing vital secrets from us.

The frightening part of China's hacks – and perhaps the real reason behind this immense breach of U.S. weapons systems – is that China could now gain control of every U.S. weapon they've stolen.

The *Defense Science Board* special report stated, in no uncertain terms, why China's hacking army is targeting U.S. military secrets. According to the report:

"U.S. guns, missiles, and bombs may not fire, or may be directed against our own troops. Resupply, including food, water, ammunition, and fuel may not arrive when or where needed. Military Commanders may rapidly lose trust in the information and ability to control U.S. systems and forces."

As effective as Chinese hackers have been recently, their Russian counterparts have put cyber warfare to work in the field.

Putin has a history of using cyber-attacks as a first wave in major assaults.

- In 2008, he bombarded Georgia with cyber-attacks, disabling communication, before taking over that region.
- In March, 2014, he used cyber-attacks immediately before he took over the Crimea.

And cyber-attacks have played a role from Russia meddling with the Ukraine; experts believe he's preparing for an all-out invasion shortly.

Cyber-warriors sow dissent and confusion with false news and intelligence, leading to staged "protests" against the government...

Followed by an invasion to put down the "rebels" and stabilize the region – effectively taking over the country.

Russia Has Been Waging Cyber Warfare Against America for Years.

Long before Russian hackers began sowing unrest and discord in U.S. elections, they conducted a massive wave of identity theft.

In August 2014, Russian hackers attacked JP Morgan Chase, sucking up gigabytes of sensitive information on the identities of thousands of customers with checking and savings accounts.

Nine other U.S. banks have fallen victim to the same hackers.

According to experts familiar with the case, financial fraud was not the motive. The attack was designed to gather intelligence about the U.S. banking system...

Most recently, these same cyber thugs have been responsible for





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breaches in our defense contractors.

This effort, known as *Fancy Bear*, targeted at least 87 critical employees of companies like Lockheed Martin Corp... Raytheon Co... Boeing Co... Airbus Group... and General Atomics.

And the weapons systems they were hacking included:

- Militarized drones
- Missiles and rockets
- Stealth fighter jets
- Cloud-computing platforms

And more.

According to Charles Sowell, a former senior adviser to the U.S. Office of the Director of National Intelligence:

“The programs that they appear to target... are some of the most advanced technologies... And if those programs are compromised in any way, then our competitive advantage and our defense is compromised.”

As scary, and successful, as these hacker efforts have been, there’s another facet of this cyberware that’s potentially even more frightening.

Waging Smarter Warfare

Artificial intelligence, the ability of a computer technology to learn and adapt to changing situations, has become a driving focus for both Beijing and Moscow.

AI technologies could revolutionize the very idea of “war”... the same way nuclear weapons did decades ago.

From combat training to battlefield tanks powered by AI, with the capacity to learn from battlefield conditions and make split second decisions to target and fire on an enemy... AI will be the warfare technology of the future.

Air Force Lt. Gen. Jack Shanahan agrees:

“The Department of Defense should never buy another weapons system for the rest of its natural life without artificial intelligence baked into it.”

Shanahan is spearheading the Pentagon’s *Project Maven*... a plan to

develop and implement Artificial Intelligence to examine, classify, and quantify all the data accumulated by military drones into actionable intelligence.

Unfortunately, China has a big lead in AI warfare tech development.

It’s developed a battlefield-ready tank, powered by artificial intelligence, capable of using satellite positioning and on-ground conditions to engage in battles without human personnel on board.

So, China’s way ahead of the U.S. in this regard.

It’s no wonder the Pentagon is desperate to make up lost ground to China in AI research.

Its four military branches are projected to spend nearly \$150 million on AI-based training and weaponry next year. But in the grand scheme of things, this sum does not seem sufficient.

And what about Russian AI efforts?

While admittedly behind China and the U.S. in AI technology, that doesn’t mean we shouldn’t be concerned.

Putin himself recently stated that the first country to master artificial intelligence “will rule the world.”

So, you can bet there will be a concerted effort from Russia to not only catch up in AI, but take the lead.

The fact that both China and Russia are gearing up independently to become the world’s next #1 superpower shouldn’t surprise any of us.

However, there’s something else that we need to worry about.

And it’s a fear the U.S. government has kept buried, deep down, for decades...

The Nightmare Alliance We’ve Feared for 70 Years

Since China’s communist revolution in 1949, the U.S. has feared what would happen to the world order if China were to partner with Russia against us.

Now, it’s happening.

The two most authoritarian, anti-democracy countries are teaming up to challenge the U.S. for world dominance...





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Thrusting us directly into World War III.

Trump’s Trade War with China has raised tensions... and sanctions and diplomatic expulsions against Russia has Putin seeing red...

Both countries are now looking to shift the power structure away from the U.S. and they don’t care who knows what they’re doing...

At the annual Moscow International Security Conference in early 2018, China and Russia put the U.S. on notice when Chinese Defense Minister Wei Fenghe stated:

“I am visiting Russia as the new defense minister of China to show the world the high level of development of our bilateral relations and firm determination of our armed forces to strengthen strategic cooperation. [China] has come to let the Americans know about the close ties between the Russian and Chinese armed forces...”

The two great super powers have one motivating goal – replace the U.S. atop the world’s power structure.

Leaving one, inescapable conclusion...

World War III is Inevitable

With all that have been laid out here... and with global tensions escalating every day...

You can see for yourself how this conflict could change the shape of the world forever.

We know China will never back down from its goal of dominating the world.

At the same time Russia is totally committed to retaining its former Cold War glory.

The only thing standing in their way is the United States.

Both countries know it. That’s what has brought us to the precipice of a global war the likes of which we’ve never seen before.

In any three-party dynamic, whether it’s a poker game or a struggle for global control, the dynamic is simple. Two of the powers align explicitly or implicitly against the third. The two aligned powers refrain from using their power against each other in order to con-

serve it for use against the third power.

Meanwhile, the third power, the “odd man out,” suffers from having to expend military and economic resources to fend off adventurism by both of its opponents with no help from either.

China is the greatest geopolitical threat to the U.S. because of its economic and technological advances and its ambition to push the U.S. out of the Western Pacific sphere of influence.

Russia may be a threat to some of its neighbors, but it is far less of a threat to U.S. strategic interests.

Therefore, to avoid World War III a logical balance of power in the world would be for the U.S. and Russia to find common ground in the containment of China and to jointly pursue the reduction of Chinese power. This scenario may be possible but under the circumstances not exactly probable.

One of the keys to U.S. foreign policy the last 50 or 60 years has been to make sure that Russia and China never form an alliance. Keeping them separated was key, but China and Russia are forging stronger ties through the Shanghai Cooperation Organization – a military and economic treaty between China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan, Uzbekistan, India and Pakistan.

Meanwhile, the U.S. finds itself at odds with both Russia and China over different issues. Who’s on the losing end of that? Obviously, the United States.

This two-against-one strategic alignment of China and Russia against the U.S. is a strategic blunder by the U.S.

The United States has largely withdrawn from the Middle East while Russia has stepped in on Syria and elsewhere, China is expanding in the South China Sea, and Russia is expanding on its periphery. They have each other’s back, and the U.S. is the odd man out.

But the Russian/Chinese relationship can be exploited. China and Russia have a history of conflicting interests, despite the fact that they were both communist during the Cold War.

The two countries had a number of border skirmishes in the 1960s, and one in 1969 was particularly serious.

According to a senior Soviet defector to the United States, “The Politburo was terrified that the Chinese might make a large-scale



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Advancing in a Time of Crisis



Financial Crisis Report



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intrusion into Soviet territory.”

The Soviets even considered a preemptive nuclear attack on Chinese nuclear facilities. Soviet officials advised Washington of the possibility, but the U.S. response was firm, warning that any nuclear attack would possibly lead to World War III.

The point being, there are fissures in the Chinese-Russian relationship that the U.S. could exploit.

For another thing, the U.S. and Russia are the first and second largest energy producers in the world. Saudi Arabia is the third largest energy producer in the world. If you put the U.S., Russia and Saudi Arabia in a loose alliance, they dominate the energy markets. They can cut you off, they can supply, they can set prices.

Who needs energy the most? China.

China has very little oil or natural gas. It does have coal, but if you've been to Beijing lately, you know it looks black at noon because the air is so bad and you can't breathe it. Pulmonary disease is becoming fairly common. They're literally choking themselves to death.

So, Russia, the U.S. and Saudi Arabia acting jointly have China completely at their mercy. But the U.S. presently has no relationship with Russia to help back up our position against China.

At this moment it's two-against-one, and the U.S. is the odd man out.

Now, Trump will try to make China the odd man out. Very few people seem to get this.

As China's power expands and as U.S. power is put

to the test in Asia, it is likely that the U.S. will correct its recent strategic shortsightedness and find ways to work with Russia. Or at least it should.

But to do this Trump will need all the support he can get, especially from Capitol Hill. However, any efforts for rapprochement with Russia will be met with charges of collusion from the Democratic left. Also, the recent Cohen guilty plea implicating Trump in a possible campaign finance violation and the Manafort conviction appear to threaten chances for the president to gather political support to thwart Chinese ambitions. Also, there are rumors that Mueller may indict Donald Trump Jr. for lying to the FBI. With all this political turmoil, the U.S. may be forced to be odd man out rendering its conflict with China inevitable.

This is why it's so vitally important to begin preparing now for that conflict.

Although I cannot give you recommendations on specific investments due to the risk of running afoul of stringent securities regulations, we all know that when war occurs, the value of commodities such as gold, energy, strategic metals, stocks of defense contractors and companies that contribute to AI will undoubtedly go up.

I recommend you do your own homework and invest accordingly. If and when war comes, many will lose much but some will gain even more. Throughout history that's how it has always been.

Here is to your successful investing for the future.

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